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FINANCIAL STATEMENTS

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA

EAST CARROLL PARISH HOSPITAL

YEARS ENDED DECEMBER 31, 1995 AND 1994

(with Independent Auditor's Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AUG 28 1996

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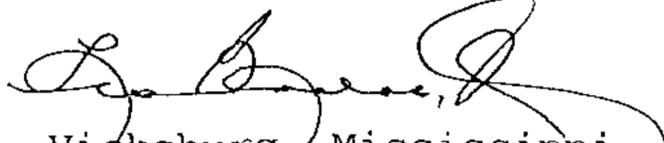
INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

I have audited the accompanying balance sheets of East Carroll Parish Hospital as of December 31, 1995 and 1994, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of East Carroll Parish Hospital as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.


Vicksburg, Mississippi
May 1, 1996

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
BALANCE SHEETS
DECEMBER 31, 1995 AND 1994

	<u>Assets</u>	
	<u>1995</u>	<u>1994</u>
Current assets		
Cash and cash equivalent	\$ 407,640	\$ 750,120
Assets whose use is limited- required for contingent liabilities (note 1)	1,454,286	1,235,084
Investments (note 1)	960,934	
Patient accounts receivable, net of estimated uncollectibles of \$173,378 in 1995 and \$302,453 in 1994 (note 1)	433,125	471,654
Estimated third-party payor settle- ments - Medicare (note 2)	393,697	852,629
Supplies, at lower of cost (first in, first out) or market (note 1)	46,473	61,044
Other current assets (note 1)	<u>83,487</u>	<u>69,029</u>
Total current assets	<u>3,779,642</u>	<u>3,439,560</u>
Property and equipment, net (note 3)	<u>345,205</u>	<u>396,526</u>
	<u>4,124,847</u>	<u>3,836,086</u>
 <u>Liabilities and Fund Balance</u> 		
Current liabilities		
Current portion of capital lease obligation (note 4)	1,044	12,525
Accounts payable	120,051	68,214
Accrued expenses	<u>36,884</u>	<u>23,240</u>
Total current liabilities	<u>157,979</u>	<u>103,979</u>
Capital lease obligation, excluding current installments (note 4)	<u>-0-</u>	<u>1,044</u>
Fund balance		
Unrestricted	2,168,640	1,932,835
Restricted by board (note 6)	<u>1,798,228</u>	<u>1,798,228</u>
Total fund balance	<u>3,966,868</u>	<u>3,731,063</u>
	<u>\$ 4,124,847</u>	<u>\$ 3,836,086</u>

See accompanying notes to financial statements.

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
Net patient revenue (note 2)	\$ 2,538,789	\$ 2,414,949
Other revenue	<u>21,394</u>	<u>22,632</u>
Total revenue	<u>2,560,183</u>	<u>2,437,581</u>
 Expenses		
Professional care of patients	1,562,232	1,591,656
Dietary services	67,210	61,090
General services	150,287	138,589
Administrative services	244,280	225,918
Employee health and welfare	175,121	186,221
Medical malpractice costs	11,976	17,046
Depreciation of property and equipment	86,350	99,706
Interest		405
Provision for bad debts	300,485	403,249
Physician's salary and expenses	<u>95,711</u>	
Total expenses	<u>2,693,652</u>	<u>2,723,880</u>
Income (loss) from operations	<u>(133,469)</u>	<u>(286,299)</u>
 Nonoperating gains (losses)		
Physician's production	11,748	
Gain (loss) on clinic operations	10,674	(101,494)
Income on investments	158,226	85,702
Tax revenues	174,076	159,234
Expense of physician's search		(32,772)
Net rental income	<u>14,550</u>	<u>16,152</u>
Nonoperating gains, net	<u>369,274</u>	<u>126,822</u>
Revenue and gains in excess of expenses and losses	235,805	(159,477)
Fund balance, beginning of year	<u>3,731,063</u>	<u>3,890,540</u>
Fund balance, end of year	<u>\$ 3,966,868</u>	<u>\$ 3,731,063</u>

See accompanying notes to financial statements.

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
Cash flows from operating activities and gains and losses		
Revenues and gains in excess of expenses and losses	\$ 235,805	\$(159,477)
Adjustments to reconcile revenues and gains in excess of expenses and losses to net cash provided by operating activities and gains and losses		
Depreciation of property and equipment	86,350	99,706
Provision for bad debts	300,485	403,249
Increase in patient accounts receivable	(261,956)	(265,244)
Decrease in third-party payor settlements	458,932	460,231
Increase in supplies and other current assets	113	(7,081)
Increase in accounts payable and accrued expenses	65,481	9,644
Net cash provided by operating activities and gains and losses	885,210	541,028
Cash flows from investing activities		
Purchase of property and equipment	(35,029)	(24,168)
Cash invested in assets whose use is limited	(219,202)	(684,023)
Investments in US Treasury obligations	(960,934)	
Net cash used for investing activities	(1,215,165)	(708,191)
Cash flows from financing activities		
Repayment of long-term debt	(12,525)	(12,525)
Net cash flows from financing activities	(342,480)	(179,688)
Net increase (decrease) in cash and cash equivalents	(342,480)	(179,688)
Cash and cash equivalents, at beginning of year	750,120	929,808
Cash and cash equivalents, at end of year	\$ 407,640	\$ 750,120

See accompanying notes to financial statements.

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. The East Carroll Parish Hospital Service District was formed by the East Carroll Parish Police Jury. The District is a political subdivision of the State of Louisiana and is a tax exempt organization under the provisions of the Internal Revenue Code. The District is governed by a Board of Commissioners whose members serve without compensation.

Accounting. The financial statements have been prepared on the accrual basis of accounting and in accordance with guidelines recommended by the Committee on Health Care Institute and Subcommittee on Health Care Matters of the American Institute of Certified Public Accountants. The accrual basis of accounting recognizes revenues when earned rather than when received. Expenses are recognized when incurred rather than when paid.

Cash and cash equivalents. Cash and cash equivalents include investments in insured savings accounts earning interest daily and subject to check withdrawals without penalty.

Assets whose use is limited. Funds received from Medicaid which may have to be repaid, are invested in U. S. Treasury obligations and only interest earned on them is withdrawn for hospital operations.

Receivables. Receivables are stated at the full value of all charges for services to the patients. Provision has been made for estimated accounts uncollectible and for third-party contractual adjustments at year end. Accounts are written off when they are determined to be uncollectible.

Investments. Investments in U. S. Treasury obligations are stated at cost, adjusted for premiums and discounts. The difference in fair market value and cost is insignificant.

Net patient service revenue. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Medical supplies. Medical supplies on hand are inventoried and valued at the latest invoice price which approximates the lower of cost (first-in, first-out) or market.

Other current assets. Included in this classification are accrued interest receivable on investments and prepaid expenses. Accrued interest is recognized as earned. Prepaid expenses consist of unexpired insurance premiums that are amortized on a straight-line basis over the terms of the policies, and equipment maintenance allocated to expense over the period of the capital lease.

Property and equipment. Property and equipment acquisitions are recorded at cost. Property and equipment donated for hospital operations are recorded as additions to the donor-restricted plant placement fund at fair value at the date of receipt and as a transfer to the general fund when the assets are placed in service. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

2. HEALTH INSURANCE PROGRAM REIMBURSEMENT

The Hospital has agreements with third-party payors. A summary of payment arrangements with major third-payor payors follows:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 1993.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited through December 31, 1988, and the adjustments made to them are recorded in the books.

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

At December 31, 1995, receivables from Medicare and Medicaid were as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Medicare</u>	<u>Medicaid</u>
12/31/90	\$ 27,704	\$	\$ 27,704
12/31/91	127,989		127,989
12/31/92	202,678		202,678
12/31/93	83,992	(5,641)	89,633
12/31/94	(34,110)	3,667	(37,777)
12/31/95	(14,556)	(21,198)	6,642
Total	<u>\$ 393,697</u>	<u>\$(23,172)</u>	<u>\$ 416,869</u>

The receivables from Medicaid for 12/31/91, 12/31/92, 12/31/93 and 12/31/94 have been calculated on a method not approved by the Health Care Financing Administration (HCFA), and while Medicaid may pay the largest portion of them prior to final audit, they may have to be repaid upon final audit, or upon an unfavorable ruling by HCFA. These receivables total \$397,258.

79.03% of the Hospital's patient revenues were generated by services furnished to Medicare and Medicaid patients.

3. CAPITAL LEASE

The Hospital's capital lease obligation on leased equipment with an amortized cost of \$38,626 at December 31, 1995 is \$1,044.

4. PROPERTY TAXES

The Hospital received \$174,076 in property taxes during 1995. The proceeds are to be used for the operation and maintenance of the hospital.

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

5. FUND BALANCE

Subsequent to filing the 1991 Medicaid cost report, the hospital filed an amended cost report. The 1991 amended Medicaid cost report and the 1992, 1993, 1994, and 1995 Medicaid cost reports were filed using the proposed rule which appeared in the Louisiana Register. This rule exempts rural hospitals with 60 beds or less from the Medicaid target rate. This rule has not been approved by the Health Care Financing Administration (HCFA). Should HCFA decide not to approve this rule, Medicaid could require that the hospital repay any amounts which the hospital received that exceeded the target rate.

Also, the 1991 Medicaid amended cost report and the 1992, 1993, 1994 and 1995 Medicaid cost reports were filed with the position that the hospital qualified for DSH payments. Disapproval of this position by Medicaid could require that the hospital repay any amounts which the hospital received for DSH payments.

In view of these contingencies, the hospital board has adopted a resolution to the effect that the funds received from these cost reports be invested in U. S. Treasury obligations, and only the interest may be expended for hospital operations. In addition, \$1,798,228 of the Fund Balance will be restricted until final rulings by HCFA are issued.

At December 31, 1995, the Fund Balance is as follows:

Unrestricted balance	\$2,168,640
Restricted balance	<u>1,798,228</u>
Total	<u>\$3,966,868</u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

I have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (a nonprofit organization) as of and for the years ended December 31, 1993 and 1994, and have issued my report thereon dated

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital is the responsibility of the District's management. As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions.

The results of my tests indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the District had not complied, in all material respects, with those provisions. Other comments and observations which came to my attention during my examination are listed below.

Medicare Disproportionate Share

The hospital qualified for a Medicare disproportionate share Part A reimbursement payment of \$15,507 in 1995.

Medicaid Disproportionate Share

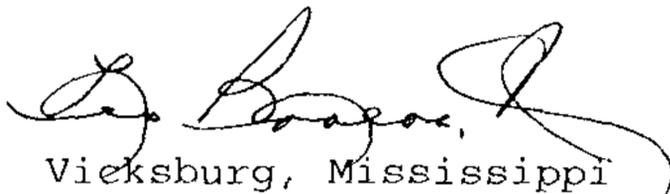
The hospital received \$775,016 in Medicaid disproportionate share pools payments for 1995. Effective July 1, 1994, the hospital became subject to the new disproportionate share regulations which limit Medicaid DSH payments to 200% of unrecovered cost.

There is still some controversy as to whether the hospital qualified for Medicaid DSH. Regulations to qualify for Medicaid DSH require that either the hospital have two obstetricians on staff who agree to provide OB services to Medicaid recipients or meet an exception which required that the hospital not have provided OB services as of December 22, 1987. Louisiana Medicaid has disallowed the hospital's DSH status because they contend that obstetric services were provided as of December 22, 1987, but have since been discontinued. The fact that the hospital is being operated by an operator different than it was on December 22, 1987, when in fact the hospital was not in operation at that time, seems to be inconsequential. An interpretation from the Health Care Financing Administration (HCFA) indicates that the exception to the OB requirement does not apply to new hospitals that did not exist as of December 22, 1987.

It is my opinion that East Carroll Parish Hospital is not a new hospital for Medicaid reimbursement purposes. Since the previous operator discontinued operations in November 1987, they also discontinued OB services at the same time, which is prior to December 22, 1987. Therefore the hospital is not required to have two obstetricians on staff to qualify for DSH.

* * * * *

This report is intended for the information of the board of commissioners, management, and the Office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Vicksburg, Mississippi)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
East Carroll Parish Hospital Service District, DBA
East Carroll Parish Hospital
Lake Providence, Louisiana

I have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (a nonprofit organization) as of and for the years ended December 31, 1995 and 1994, and have issued my report thereon dated

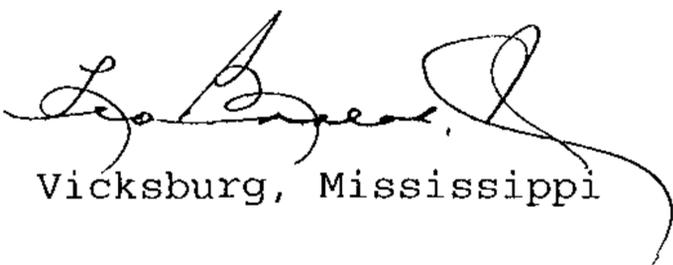
I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Hospital complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing my audit of the financial statements of East Carroll Parish Hospital for the year ended December 31, 1994, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and on its compliance with requirements applicable to major federal financial assistance programs and not to provide assurance on the internal control structure.

The management of East Carroll Parish Hospital is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners, management, and the Office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Vicksburg, Mississippi